

TITLE 10. CALIFORNIA DEPARTMENT OF CORPORATIONS

NOTICE IS HEREBY GIVEN

The California Corporations Commissioner (Commissioner) proposes amendments to the following code sections in the California Code of Regulations, which are reasonably necessary to reflect changes in the names and function of certain national security exchanges, stock exchanges, markets and related entities. The Commissioner proposes to amend Sections 260.101.2, 260.103.4, 260.105.7, 260.105.17, 260.105.33, 260.105.34, 260.217, 260.230, 260.241.4, and 260.242; and to repeal Sections 260.105.37 and 260.204.11 of Title 10 of the California Code of Regulations.

PUBLIC COMMENTS

No public hearing is scheduled. Any interested person or his or her duly authorized representative may request, in writing, a public hearing pursuant to Section 11346.8(a) of the Government Code. The request for hearing must be received by the Department of Corporations' (Department) contact person designated below no later than 15 days prior to the close of the written comment period.

WRITTEN COMMENT PERIOD

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the Department, addressed to Karen Fong, Office of Legislation and Policy, Department of Corporations, 1515 K Street, Suite 200, Sacramento, CA 95814-4052, no later than 5:00 p.m., November 24, 2008. Written comments may also be sent to Karen Fong via electronic mail at regulations@corp.ca.gov or via fax at (916) 322-5875. If this day is a Saturday, Sunday or state holiday, the comment period will close at 5 p.m. on the next business day.

INFORMATIVE DIGEST/PLAIN ENGLISH OVERVIEW

The Department licenses and regulates the offer and sale of securities under the Corporate Securities Law of 1968 (commencing with Corporations Code Section 25000). The proposed amendments to the California Code of Regulations are reasonably necessary to reflect changes in the names and function of certain national security exchanges in the names and function of certain national security exchanges, stock exchanges, markets and related regulatory entities.

Sections 260.101.2

The Securities and Exchange Commission recently approved NASDAQ National Market System registration to operate as a national securities exchange. NASDAQ renamed the NASDAQ National Market System as the NASDAQ Global Market. Prior to this, NASDAQ has been operating under the supervision and control of the interdealer quotation system of the National Association of Securities Dealers, Inc. The proposed amendment adds NASDAQ Global Market to the national securities exchange list and deletes the reference to the interdealer quotation system of the National Association of Securities Dealers, Inc.

The American Stock Exchange's "Emerging Company Marketplace" was closed on May 11, 1995. The proposed amendment adds The American Stock Exchange to the national securities exchange list and deletes reference to Emerging Company Marketplace.

In 2005, the Pacific Stock Exchange was acquired by Archipelago Holdings, which in turn was acquired by the New York Stock Exchange (NYSE) in 2006. The NYSE now operates the Pacific Exchange as NYSE Arca. The proposed amendment adds NYSE Arca to the national securities exchange list and deletes reference to the Pacific Stock Exchange.

Section 260.103.4

In 1997, the Securities and Exchange Commission approved the operation of the OTC Bulletin Board, an electronic quotation system for over-the-counter equity securities. Pink Sheets LLC also provides an electronic quotation service for over-the-counter equity and debt securities. The proposed amendment adds the electronic service operated by Pink Sheets LLC or the OTC Bulletin Board and deletes reference to the National Daily Quotation Service.

Section 260.105.7

In June of 2000, the National Quotations Bureau changed its name to Pink Sheets LLC. The proposed amendment deletes reference to the National Quotation Bureau and adds the Pink Sheets LLC, the OTC Bulletin Board, and the NASDAQ Stock Market LLC.

Section 260.105.17

On January 13, 2006, the Securities and Exchange Commission approved the application of NASDAQ to operate as a national securities exchange. NASDAQ renamed the NASDAQ National Market System as the NASDAQ Global Market and created a new segment within the NASDAQ Global Market called the "NASDAQ Global Select Market." (References to the NASDAQ Global Market include those securities listed on the NASDAQ Global Market and the NASDAQ Global Select Market.) Due to NASDAQ's change in status, it is no longer necessary to distinguish between national securities exchanges and NASDAQ. The proposed amendment adds NASDAQ Global Market to the certified national securities exchange list.

Sections 260.105.33 and 260.105.34

NASDAQ converted to a national securities exchange and it no longer operates under the supervision and control of the interdealer quotation system of the National Association of Securities Dealers, Inc. The proposed amendments delete the reference to the interdealer quotation system of the National Association of Securities Dealers, Inc.

Section 260.105.37

The exemption from registration for securities listed on the Chicago Board Options Exchange has expired. The exemption provided remains effective only for 36 months from the effective date of the regulation unless extended by order of the Commissioner of Corporations. Consequently, the effectiveness of such an exemption has lapsed and the regulation is no longer necessary. The proposed amendment repeals the regulation.

Section 260.204.11

The Pacific Stock Exchange no longer operates and therefore, the exemption granted to members of the Pacific Exchange, Inc. is not effective. The proposed amendment repeals the regulation.

Sections 260.217, 260.230, 260.241.4 and 260.242

On July 26, 2007, the New York Stock Exchange (NYSE), the National Association of Securities Dealers (NASD) and its subsidiary, the National Association of Securities Dealers Regulation, Inc. (NASDR) consolidated to form the Financial Industry Regulatory Authority (FINRA). The proposed amendments add Financial Industry Regulatory Authority and delete any reference to NASDR.

AUTHORITY

Sections 25101, 25105, 25204, 25217(a), 25231, 25241, 25610, and 25612.5, Corporations Code.

REFERENCE

Sections 1633.7 and 1798.18, Civil Code; and Sections 25101, 25103, 25105, 25110, 25130, 25204, 25210, 25217, 25230, 25231, 25241, 25242, 25531(a), 25608(w), 25610, 25612.3, and 25612.5, Corporations Code.

AVAILABILITY OF MODIFIED TEXT

The text of any modified regulation, unless the modification is only non-substantial or solely grammatical in nature, will be made available to the public at least 15 days prior to the date the Department adopts the regulation(s). A request for a copy of any modified regulation(s) should be addressed to the contact person designated below. The Commissioner will accept written comments on the modified regulation(s) for 15 days after the date on which they are made available. The Commissioner may thereafter adopt, amend or repeal the foregoing proposal substantially as set forth above without further notice.

AVAILABILITY OF STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS/INTERNET ACCESS

The express terms of the proposed action may be obtained upon request from any office of the Department. Request Document PRO 10/08 - B. An initial statement of reasons for the proposed action containing all the information upon which the proposal is based is available from the contact person designated below. Request Document PRO 10/08 - C. These documents are also available at the Department's

website www.corp.ca.gov. As required by the Administrative Procedure Act, the Office of Legislation and Policy maintains the rulemaking file. The rulemaking file is available for public inspection at the Department of Corporations, Office of Legislation and Policy, 1515 K Street, Suite 200, Sacramento, California 95814-4052.

AVAILABILITY OF THE FINAL STATEMENT OF REASONS

Upon its completion, the Final Statement of Reasons will be available and copies may be requested from the contact person named in this notice or may be accessed on the website listed above.

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code section 11346.5, subdivision (a)(13), the Department must determine that no reasonable alternative it considered or that has otherwise been identified and brought to the attention of the Department would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

FISCAL IMPACT

- Cost or savings to any state agency: None.
- Direct or indirect costs or savings in federal funding to the state: None.
- Cost to local agencies and school districts required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of the Government Code: None.
- Other nondiscretionary costs/savings imposed on local agencies: None.
- Costs to private persons or businesses directly affected: Insignificant or none.

DETERMINATIONS

The Commissioner has made an initial determination that the proposed regulatory action:

- Does not affect small businesses.
- Does not impose a mandate on local agencies or school districts, or a mandate that is required to be reimbursed pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code.
- Does not have an effect on housing costs.
- Does not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.
- Does not significantly affect the creation or elimination of jobs within the State of California; the creation of new businesses or the elimination of existing businesses within the State of California; or the expansion of businesses currently doing business within the State of California.

COST IMPACTS ON REPRESENTATIVE PRIVATE PERSON OR BUSINESS

The Department is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

EFFECT ON SMALL BUSINESS

It has been determined that the adoption of these regulations will not affect small business. The amendments to the rules clarify and conform changes in the names and function of certain national security exchanges, stock exchanges, markets and related entities.

CONTACT PERSON

Nonsubstantive inquiries concerning this action, such as requests for copies of the proposed regulation or questions regarding the timelines or rulemaking status, may be directed to Karen Fong at (916) 322-3553. The backup contact person is Tanya Bosch at (916) 322-3553. Inquiries regarding the substance of the proposed regulation may be directed to Salony Mehrok, Corporations Counsel, Department of Corporations, 1515 K Street, Suite 200, Sacramento, California 95814, (916) 322-3553.

Dated: September 24, 2008
Sacramento, California

Colleen E. Monahan
Deputy Commissioner
Office of Legislation and Policy